

Memorandum

To: Panel Members
Date: March 27, 2003

From: Diana Torres, Manager
Peter DeMauro, General Counsel
Analyst: C. Robinson

Subject: One-Step Agreement for **Gen-Probe Incorporated**
(www.gen-probe.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Stimulating Exports/Imports
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 656
 - In California: 614
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$313,120
- Substantial Contribution: \$0
- Total ETP Funding: \$313,120
- In-Kind Contribution: \$369,841
- Reimbursement Method: Fixed Fee
- County (ies) Served: San Diego
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

Trainingscape of Carlsbad, California - \$50,000 (Continuous Improvement training)

McCaffery Consulting of San Diego, California - \$20,000 (Continuous Improvement training)

Aware Consulting of Santa Ana, California - \$10,000 (Computer Skills training)

Effective Solutions of San Diego, California - \$8,100 (Computer Skills training)

Training Funding Partners of Irvine, California - \$15,656 maximum (Project Administration)

THIRD PARTY SERVICES:

The Applicant states that Training Funding Partners of Irvine, California provided assistance with the development of the application, including a Training Needs Assessment, Training Plan, Curriculum, and other application requirements for a flat fee of \$17,500.

NARRATIVE:

Under Title 22, California Code of Regulations (22 CCR) Section 4416(b), Gen-Probe Incorporated (Gen-Probe) is eligible for ETP funding as an industrially classified manufacturer retraining current employees in competition with other manufacturers located outside of California.

Gen-Probe founded in 1983 and headquartered in San Diego, California, is the site of the proposed training. The Company develops, manufactures and markets nucleic acid testing (NAT) products used for the clinical diagnosis of diseases and screening of donated human blood. Using patented NAT technology, Gen-Probe has received Federal Food and Drug Administration (FDA) approval for more than fifty products that detect a wide variety of infectious microorganisms. Additionally, the Company develops and manufactures FDA approved blood-screening testing kits for the simultaneous detection of HIV-1/Hepatitis C Virus (HCV). Company representatives state that its genetic based blood-testing product is currently in use for testing a portion of the nation's blood supply.

Abbott Laboratories, Hoffmann-La Roche Ltd. and Becton Dickenson compete with Gen-Probe for customers that include: clinical and public health laboratories, hospitals and blood collection centers located worldwide. According to Gen-Probe, the customers are in constant competition with each other to increase their share of the diagnostic testing market by using the newest and most reliable testing devices available. Gen-Probe must demonstrate to its customers that its products are designed and manufactured using the latest technologies. This objective also includes offering products to its customers that are accurate, cost-effective and provide results in a timely fashion. Gen-Probe representatives state that it will invest several million dollars over the next few years in new product development and commercialization. It anticipates introducing several technologically advanced products over the next two years. These product developments are specifically designed to address the needs of its customers and increase Gen-Probe's market share.

NARRATIVE (continued):

The first new product to be introduced by Gen-Probe is known as the Tigris System (Tigris). This product will use new technology to test individual blood donations for HIV/HCV rather than the current methodology of pooling up to 16 blood donations into one batch for testing purposes. Under the Tigris product, it samples one donation for disease; therefore, only one donation is destroyed rather than up to 16 if the sample is contaminated. Additional products in development include Transcription Mediated Amplification (TMA) technology. This proprietary technology is used for the amplification of cells in order to locate a virus that may be harbored by a single cell rather than a group of affected cells. TMA technology will be able to confirm if an infectious organism is no longer present anywhere in the human body. Gen-Probe, designated as a "Select Agent" by the United States government, is also working with the Centers for Disease Control on products that will test for organisms such as the West Nile Virus, Anthrax and other organisms that are of concern in connection with bio terrorism. According to Gen-Probe, new products affect processes starting in research and development through manufacturing, to sales, delivery and customer service. Gen-Probe has determined that many of its employees lack an advanced mechanical and technical understanding of the new technologies they will be using in the design, manufacture and servicing of these and other current and future Company products.

In addition, Gen-Probe's goal is to transition its employees out of their current positions of responsibility and expand their roles within the Company in order to continue growth while remaining competitive. Gen-Probe officials state that currently, employees lack a broad understanding of the business as a whole and need the skills necessary to play a more integral and productive role in the Company. Also, the Company does not have adequate systems, processes, procedures and new product commercialization protocols in place to fulfill the changing roles and responsibilities of its employees. Gen-Probe processes and procedures systems are not streamlined and do not integrate with its product inventory, manufacturing and purchasing information. As a result, there are duplications in processes, procedures and systems throughout the business units in addition to inefficiencies in research, production and inventory systems that are costly to the Company.

To address some of these deficiencies, the Company is presently making an investment in an Enterprise Resources Planning (ERP) system to replace antiquated stand-alone software systems currently supporting Gen-Probe's business functions. The ERP will generate automatic purchase requisitions for supplies and will interface with the Company's software systems for all departments. However, according to Gen-Probe officials, employees are unfamiliar with the new ERP system and will be unable to utilize it effectively without extensive training.

To initiate the Company-wide changes necessary to address the wide variety of Gen-Probe's needs, including its goal to move to a high performance workplace, the Company recently conducted an extensive employee training needs assessment. The assessment examined the Company's current products, services and processes compared with those offered by its competitors. The results indicated that the major areas of need were: communication, teambuilding, complex design, manufacturing, service, advanced computer language, interpersonal and computer skills to implement Gen-Probe's new ERP system.

To meet these Company-wide goals, Gen-Probe has developed a comprehensive training plan to train 468 of its 614 employees located in San Diego, California. Those employees included in the training plan include 53 Managers/Supervisors and 415 Administration/Support, Information Systems (IS), Manufacturing, Engineering, Marketing, Customer/Technical, Research/Development, Sales/Marketing,

NARRATIVE (continued):

Quality Control and Supply Chain Staff. This plan includes a Menu Curriculum with 20 to 200 hours of Class/lab training and 4 to 20 hours of Computer-Based Training consisting of the following:

Continuous Improvement Skills:

Gen-Probe's frontline workforce will receive Continuous Improvement Skills training to prepare them for their newly expanded roles within the Company. Retrainees included in the training plan will receive instruction to ensure that they understand the ERP system, new product workflow/commercialization, new quality standards/processing, project management, information management and customer/technical service principles. In addition, they will receive training in leadership skills, coaching techniques, decision-making techniques, motivating/delegating techniques, project planning/budgeting, team building, organization skills and communication skills.

Computer Skills:

All retrainees included in the training plan, other than IS staff, will also receive advanced Computer Skills in data integration, word processing and other software applications that relate directly to implementation of the new ERP system. Once employees are trained to use the ERP, Gen-Probe expects to reduce costs and increase productivity by directly connecting customers, suppliers, partners, and employees to business processes in real-time from multiple sites.

Computer Skills - Advanced Technology:

Gen-Probe is requesting funding for a portion of their Computer Skills training under the Advanced Technology Fixed-Fee cost reimbursement rate of \$20 per hour for 13 retrainees. The movement toward development of highly advanced, customized and sophisticated new products requires the Company's IS staff to gain new computer language skills. Training will be provided in areas such as: accelerated Microsoft systems, server and network management, inter-network engineering and design, support, implementation and security of the Company's ERP system. The Advanced Technology training requested by Gen-Probe is complex and requires small classes of fewer than 10 retrainees. Gen-Probe states that the required training costs exceed \$20 an hour per trainee.

Manufacturing Skills:

Gen-Probe's frontline research and development, manufacturing and engineering, quality control and improvement, technical services and supply chain employees will receive Manufacturing Skills training. The instruction will include technical and lean-manufacturing techniques necessary to perform their jobs using the Company's new processes, procedures and ERP system. Gen-Probe states that as a result of the proposed training, these retrainees are expected to gain updated knowledge which, combined with an advanced mechanical and technical understanding of the new technologies, will be useful in the design, manufacture and servicing of Gen-Probe's products.

NARRATIVE (continued):

Supplemental Nature of Training

Historically, Gen-Probe's training has consisted of new hire orientation and safety training, compliance training, and informal basic job skills training. In the last year, the Company expended approximately \$450,000 for employee training. Gen-Probe recently implemented a self-paced computer-based training system in work/life balance and sexual harassment awareness. The Company also finances employee participation in industry-related conferences and seminars, and has a tuition reimbursement program available to subsidize an employee's completion of college level courses. The aforementioned training will continue to be provided by the Company at its own expense during and after the term of the ETP contract.

The company states that the proposed training is substantively different from any training provided in the past in that the proposed training encompasses formal Continuous Improvement, Manufacturing, Computer and Advanced Technology Computer Skills training focused to meet the Company's stated goals of generating state-of-the-art technology while improving its existing business tools to increase productivity and services. Gen-Probe has certified in writing that all of the proposed formal training is supplemental to training the Company provides in the normal course of its business and would not occur in the form and manner described in the application without funds from the Employment Training Panel. Following the term of the proposed training plan Gen-Probe has committed an expenditure of approximately \$1.1 million for training in the 24 months following completion of ETP-funded training as needed for each of its 614 employees located in California.

In-Kind Contribution

Company representatives have certified that the Company will invest \$369,841 for wages paid to retrainees during training.

COMMENTS:

Of the 468 proposed retrainees, 415 (89 percent) meet the definition of a frontline worker found at Title 22 CCR, Sections 4400 (ee) (1) and (3). The remaining 53 (11 percent) of the training population are Managers or Supervisors.

Senior Policy Managers/Executive Level - Managers

The proposed Contractor certifies that no senior policy manager or executive level employees have been included in this training project.

PROPOSED ACTION:

Staff recommends that the Panel approve this proposal if funds are available and the project meets Panel priorities based upon Gen-Probe's stated need to provide employees with skills to enhance the Company's ability to stay competitive, grow, and remain viable in the California economy.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Numbers 1, 3, 4, 5, 6, & 8 Retrainees	MENU Continuous Improvement, Manufacturing, Computer Skills	455	20 - 100	4 - 20	N/A	\$420 - \$1,300	\$11.18 - \$50.08
Jobs 2 & 7 Retrainees	Advanced Technology Skills	11	40 – 80	N/A	N/A	\$800 - \$1,600	\$16.03 – \$46.69
Job 9 Retrainees	Advanced Technology Skills	2	200	N/A	N/A	\$4,000	\$16.03- \$46.69
					<u>Range of Hourly Wages</u>		
					\$11.18 - \$50.08		
					<u>Prevalent Hourly Wage</u>		
					\$ 20.68		
					<u>Average Cost per Trainee</u>		
					\$ 669		
<u>Health Benefit used to meet ETP minimum wage:</u> Although the Company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 12 %	<u>% of Mgrs & Supervisors to be trained:</u> 11%	

Gen-Probe Incorporated

Menu Curriculum

Class/Lab Hours

Job 1 - 40

Job 3 – 20

Job 4 – 30

Job 5 – 60

Job 6 – 80

Job 8 - 100

Trainees will receive any of the following types of training:

Continuous Improvement Skills

- Process and procedure changes related to ERP implementation
- Production scheduling
- Research, development, manufacturing and engineering production operations/workflow
- Roles and responsibilities
- Process and procedure standardization
- New product commercialization processes, procedures and workflows
- Industrial operating updates
- Quality policies, standards and system requirements
- Inspection techniques
- Project planning skills/finance and budgeting basics
- Customer service skills related to new product commercialization
- Establishing objectives/goal setting
- Problem solving techniques/decision making skills
- Leadership skills/delegation techniques
- Planning and organizational skills
- Communication skills
- Effective meetings
- Time management
- Basic and advanced coaching techniques
- Teambuilding
- Assimilating change
- Process Mapping
- Lean manufacturing
- Research processes and findings
- New product development skills

Computer Skills

- Data integration and product management skills related to ERP implementation and process improvements including; Manufacturing and engineering and document control, Integrated material management, Master computerized scheduling, Sales forecasting and Project costing
- Material Resource Planning (MANMAN) functions
- Creating simulated data sets
- Software configuration management
- Software control requirements
- Baseline setting and changing/creating a change request
- Project and system planning/development software tools
- Software writing I and II
- Software verification, validation and testing
- Customer Relationship Management (Siebel CRM) system processes/ procedures related to new products and customer service
- Data integrity operating procedures
- Intermediate/Advanced Microsoft word processing, spread sheet, charting, database and planning applications

Manufacturing Skills

- New/enhanced manufacturing/engineering processes, procedures and protocols
- Planning/purchasing processes and procedures
- Technical instrumentation skills
- Mechanical maintenance and support
- Instrumentation system fundamentals/programming/ troubleshooting
- Variable frequency motor drives
- Automated equipment troubleshooting
- Fill Machines/transport tube filters
- Conveyor lines
- Shrink wrappers
- Thermoformers
- Lyophilizer
- Bulk tank panels/stationary bulk tanks
- Cap assembly unit
- Schedule estimation methods
- Manufacturing support processes/quality control skills

Computer Based Training

CBT Hours

Job 3 - 20

Job 4 - 20

Job 5 - 4

Continuous Improvement Skills

- Effective meeting skills
- Communications skills
- Customer service skills
- Leadership and coaching skills
- Time management
- Project management skills
- Team building concepts

Computer Skills

- Intermediate/Advanced Microsoft word processing, spread sheet, charting, database and planning applications

Job 2 – 40 Hours

Job 7 – 80 Hours

Job 9 – 200 Hours

Advanced Technology Skills

- Accelerated Microsoft Systems, Server and Network Management and Engineering
- Network⁺ Certification
- Multiple Operating Systems/Applications Management
- Network Security and Advanced Network Security
- Operating System and Network Disaster Recovery Methods
- Technical Systems Strategies
- Cisco Network Engineering
- Inter-Network Engineering
- Structured Query Language (SQL) and Oracle Systems Administration and Tools
- Advanced technology project and network implementation and integration
- Website development tools and network integration
- Enterprise Resource Planning System (ERP) engineering, design and support programs and application tools related to implementation, troubleshooting, functionality, security, and integration